GENERAL AND REVENUE SECRETARIAT.

1901

File No.

Serial Nos

Papers Filed.

Month February

NERAL AND REVENUE SECRETARIAT.

NOTE.

FILE HEADING.

Mysore Government account with the Bank of Madras

The Ag. Secretary & Dewan

No. G.P.L. 123/3 Dated 12-04-04 of 1904.

y No. 16 27 Encls. Spa Copies. Serial No.

States that the Directors came to see them
day to offer more favourable terms
cerns the Mysore Govt. dealt with the Bank
as more embodied in the agreement which
has just been

the following the history of the
of the case: —

On the 27th January 1897 an agreement
was entered into with the Bank of Madras
which came into force from the 1st Jan

1897 and continued to be in
force ti 30th June 1900 to the 28th July 1902.
The Bank having represented that
while the had to pay interest
on the account during the slack
season, practically no balance
was ma tained to the credit of
the acc unt on
months, - modification of the
above ag ment was accepted by
the Govt and a revised agree-
-ment x s entered into with
effect fr m the 29th July 1902.
This new a ement remained in force
till 1st Oc bers 1903. The Bank
having c ined to offer more fav
-able ter s after that date, the
same ag ment continued to
be in fo e till the 30th September
1904.

August 1904, the Secretary and Treasu
of the Bank was requested to state
whether in view of the better balance
now maintained at the credit
of the Mysore Government Accou
with the Bank, the Directors will
agree to revert to the terms of
the agreement entered into in
January 1897. In reply the Secre
and Treasurer-States that the
Directors cannot see their way
to offer more favourable terms
than those embodied in the agree-
-ment that has just expired.
A Statement comparing the terms
of the agreement which has just ex-
-pired (on 30th Sep. 1904) and that of
1897 is put up.

Submitted to Order. MVR
31/10/04

31/10 Submitted to the Devan Sahib

Serial No.

be content with the conditions now in force, as the bank will not se-cept the previous more favorable rates of interest.

31.10.1904

31/10/1904

1447/51.4.04

2386

Send a copy of the completed draft of the contract as altered now presented with another year

4.XI.04

Draft-accd

5.11.1904

Rec'd 7/11 draft dated 4 Secy mailed 4/11/04

7/11

To the Comp dated No. 21254 of 11-11-04

Forwards copy of the above accepted that the contract as last-mentioned may be entered into for another year & the financial intimated. information of profits. Comptroller's letter dated No. 3162/1487 of 7-12-04.

General and Revenue Secretariat.

File No. 154 of 1905

Serial No.

Enclosed for information & ref
of letter No. 4.D.L 12315/23-11-04
received from the Acting Secretary
and Treasurer, Bankipore, in
Confirming the renewal of the
Contract for another year
from 18th October 1904 to 18th Oct 19
Submitted for orders
Dr. 12/12 22/12/04

Sub. to Secy for information. 15/12/04
Submitted to the Hon'ble Sahib
for info. 16.12.1904

19.XII.04

3518/17.12.04.

Submitted again for consideration in amendment

Please do so 26.12.1904

Submitted to Secy.

The proposal recommended for orders as per orders of the Hon'ble Sahib

By this time the Secretary the
Comptroller and ask him
for a report. Wired 8.VIII.05

Draft accepted
[illegible]

Submitted with draft 9-8-05
K.S. draft entitled to see
10/8/05. 10/8.

[signature]
11.8.15.

To the Comptr

Calls for a report & his views as to whether the
agreement may be renewed on the existing terms.

From the Comptr: No. 1008/157 of the 23.8.05.

States that the agreement may be renewed
on the existing terms for another year, commencing
with the 1st of October next.
submitted for orders 6-9.

To the Comptroller
No: FC 1820 dated 11.9.05
Requests that the Contract as now in force may be entered into for another year and the fact intimated for the information of Govt.

From the Comptroller. No: 14708 of 14.9.05.
Forwards copy of his letter no: 14698/14.9.05 to the Secretary and Treasurer, Bank of Madras, Madras, requesting him to arrange for the needful being done in the matter of the agreement under which the Govt account is kept with the Bank of Madras, Madras, being renewed on the existing terms for another year commencing with the 1st October 1905 and to favour him with a reply

I have already communicated
to you officially a copy of my letter
to the Bank of Madras and I now
place in the file a copy of my
letter to Messrs Coutts & Co of this
date.

Regarding the other matters sug-
gested in my note - I propose to take
them up later on. There is some dif-
ficulty in making official reference
about these matters at present. The
Presidency Banks have territorial
jurisdictions and Bengal & Bombay
may not relish such reference if I asked
them officially now about their terms.

In any case, the matter is not
pressing since nothing can be done
till next April and I hope before
that time once to go to Calcutta on
leave & to discuss the matter in verbal
discussion with the Secretary & Treas-
Bank of Bengal. Mr Cruickshank
knows me personally - and I have hopes
that I shall be able to secure some
advantageous terms

Office of the Comptroller,

Mysore Government,

Bangalore, Dated 14th November 1905.

From

Rai N. G. Basu Bahadur, M.A.,

Comptroller of Mysore,

B a n g a l o r e.

To

Messrs. Coutts & Co.,

Bankers, 440 Strand,

L o n d o n. W.C.

Gentlemen,

The question of the investment at interest of th Cash balances in the treasuries of the Mysore State has fo some time been under the consideration of the Government o His Highness. Under existing arrangements, the State can deposit its money for any length of time either in a Presidency Bank or its branch in India or if possible in the Bank of England.

There is an agreement with the Bank of Madras under which current balances lodged with that Bank bear interest at varying rates but that Bank does not give any interest for six months of the year from July to December which is considered the slack season of the Indian trade.

It happens, however, that the Mysore State has the largest floating balances from June to December: the Revenue season in Mysore is from January to June, while th expenditure is fairly well distributed among the twelve months of the year except that about 35 lakhs have to be paid to the Government of India in January and March every

year on account of Subsidy. This payment of the Subsidy in January has in ordinary course to be made out of the revenue collections of the preceding season and thus a sum of over 20 lakhs is always left idle in the treasury balance between June and January.

The question to be settled is how best to invest this sum of 20 lakhs or so for about eight months from June to January, and to make the money available on 31st January for payment of the Subsidy.

One course that has been suggested is that the monthly Surplus balances of the Royalty account which are now remitted by you monthly by means of Council Bills may be deposited in the Bank of England instead of being sent to India from March to November and that all the accumulation up to 31st December may be remitted to India in one sum by you so as to reach Mysore in the last week of January.

The points to be settled are.-

(1) Can an account be opened in the Bank of England on behalf of the Mysore State?

(2) Will the Bank of England pay interest on such account if the whole of the deposits from March to November are made repayable on 31st December? If so, what is the likely rate of interest.

It is not absolutely clear that the difference in exchange between January and other months of the year will not to some extent, counterbalance the gain on account of interest earned in England, and it will have also to be considered whether the opening of an account with the Bank of England requires the previous sanction of the Secretary of State

I may explain that the Mysore State has other alterna-

alternative proposals for investment in India under consideration and the object of the present letter is to ascertain whether the terms obtainable in England compare favourably with those likely to be secured in India..

I have therefore been directed by the Government of His Highness the Maharajah of Mysore to request you kindly to advise in general on the feasibility and the advantages of the investment of its surplus balances in England and on the possibility of carrying out the above proposal regarding deposit with the Bank of England with profit in particular. In kindly advising upon the case, you may consider also the possibility of investments in British Government Securities which do not much vary in price and a large quantity of which may be sold at any time without affecting the market.

In conclusion I beg that at this stage the case may be treated as confidential. The favour of an early reply with a full statement of your views is requested.

I have the honor to be,

Gentlemen,

Your most obedient servant,

Comptroller.

General and Revenue Secretariat.

Gl Finance File No. 154 of 1904

Serial No.

Subscribed for note

18/11/05 submitted with Hewan for information

9761

733 10.11.05

Hewan confidential 21.XI.05

21/11/05

11 Nil 23-11-05

Branch II To do please 27.1.1906

21/11/05

General and Revenue Secretariat.

General Fin File No. 154 of 1904

Serial No.

Secretary

I place below the reply of the Bank of Madras to my letter of 6th November on the subject of the agreement with Govt.

The Bank has agreed to give an additional ½% from ~~June~~ April to June

I do not think there is much use in further discussing the subject and I do not wish to hold out any threats at present

The whole subject is being carefully considered, and I hope to be able to place the matter on a satisfactory footing before the present Contract ~~is~~ expires.

I propose to reply that I am instructed by my Govt to say that they regret that the Directors of the Bank do not see their way to continue the terms of the agreement for which they have no wish at present than for better terms than what have already been offered

Bank of Madras,

Madras, 3rd. October 1905

G.P.L.125/6

To M.R.Ry.

Rai. N.G. Basu Bahadur, M.A.,

Comptroller, Mysore Government, Bangalore.

Sir,

I have the honour to acknowledge receipt of your letter No. 1469/B & R.240-2 dated 14th instant on the subject of the renewal of the agreement for keeping the account of your Government with this Bank.

Your letter has received the careful consideration of my Directors, and with reference thereto I am to call your attention to the following points.

You will observe that during the three half years 1903-1905 the Bank has paid your Government in the shape of interest Rs.1,29,000/- or an average of Rs. 43,000/- each half year, of which latter amount Rs. 31,000/- accrued from April to June in each year, thus showing that the bulk of your Government Funds are deposited in the second quarter of the year after the demand for money has ceased, and the Bank has consequently to pay interest upon a large unemployed balance during that period.

Again, the results of the closing of the Mints and the introduction of a gold standard are now beginning to make themselves felt, and the value of money generally is settling down to a lower level, so that in all probability we shall not again see the high rates of interest of a few years back.

Under these circumstances my Directors regret that although willing to meet your Government as far as possible, they are unable to renew the agreement on the existing terms.

As an alternative they would suggest a renewal for one year on the following terms as regards interest:-

"Interest to be allowed on the minimum monthly balance during the busy season January to June inclusive according to the fol-

January to March.

Bank's Minimum Rate being	Interest to be allowed at
4 % and under	2 %
5 %	3 %
6 %	4 %
7 %	5 %
8 % and upwards.	6 %

April to June.

Interest to be allowed at two per cent.

2. During the months of January and March interest will be allowed only on the balance in excess of the sum which has to be paid about the end of those months to the British Government on account of Kist (Subsidy). This clause to be subject to modification, if at any time the dates for payment of Kist (Subsidy) are altered.

3. For the purpose of calculating interest notice of issue of cheques on the account to be considered equivalent to actual withdrawal of cash.

4. No minimum balance is guaranteed by the Mysore Government during the busy season, but endeavours will be made to maintain as far as possible a fair average balance.

5. The above terms will come into operation as from the 1st October 1905 and will remain in force until the 1st October 1906.

G.R.S. 12]

General and Revenue Secretariat.

General Fin File No. 154 of 1904/05

Serial No.

Submitted for orders.

mg

13.12.05

The Comptroller may be asked to reply to the Bank on the lines indicated by him

submitted to secy.

V

13-12-05

Submitted to the Dewan Sahib

Shall we do so?

G

13.12.1905

V

13-12-05

10.12.05 10.12.05

Yes send

15.XII.05

Draft sent

G

18.12.1905

V

18-12-05

draft filed to secy

20/12/05

V

20-12

Passed G

21.12.1905

V

21-12-05

To the Comptroller

No: H 4106 dated 28.12.05

States that his proposal to reply to the Madras Bank letter No: G.P.L.125 dt 5.12.05"

erial No.

regarding the terms for keeping Govt. money in the Bank in the manner indicated by him in the last para of his note of the 7-12-05 above is approved.

From the Comptroller
No. 3865 dated 16-1-0

Forwards for information copy of his letter No: 3864 B4R 649-50 dated 16.1.06 to the Secretary & Treasurer, Bank of Madras, Madras, stating that his letter was duly placed before the Govt. of His Highness the Maharaja, that the Govt. regret that the Directors of the Bank do not see their way to continue the terms of the agreement last expired but that he is instructed to say that they have no wish at present to press for better terms than have already been offered.

Submitted for orders.

18/1/06

Noted to reg for information

Filed
19.1.1906

From the Comptr.,
No: 4013 of the 19.1.06. 19-1-06
673
Forwards a copy of letter No: G. Pd. 126/2 of the 18.1.06, received from the Secretary & Treasurer of the Bank of Madras, confirming the arrangement abovenoted in last.

The terms of the agreement which has just expired and that entered into in 1897 are compared below

Terms of agreement which has just expired	Terms of agreement of 1897.
1. Interest to be allowed on the minimum monthly balance during the busy season – January to June inclusive according to the following sliding scale:-	1. Interest to be allowed on the daily balances during the busy season – January to May – inclusive according to the following sliding scale:-
Bank's minimum rate being – Interest to be allowed at	Bank's minimum rate being – Interest to be allowed at
4% & under – 2%	4% & under – 2%
5% – 3%	5% – 3%
6% – 4%	6% – 4%
7% – 5%	7% – 5%
8% & upwards – 6%	8% & upwards – 6%
2. During the months of January and March interest will be allowed only on the balance in excess of the sum which has to be paid about the end of those months to the British Govt on account of Kist (Subsidy). This clause to be subject to modification if at any time, the dates (Subsidy) for payment of Kist are altered.	2. Same as 2. of agreement which has just expired.
3. For the purpose of calculating interest notice of issue of cheques on	3. During the slack season June to December inclusive interest to be allowed at

the account to be considered equivalent to actual withdrawal of cash.	at 2% per annum on the daily balance not exceeding 20 lakhs. Any balance in excess of 20 lakhs will not to bear interest.
4. No minimum balance is guaranteed by the Mysore Government during the busy season, but endeavours will be made to maintain as far as possible, a fair average balance	4. Same as 4 of agreement which has just expired.

The Secretary and Treasurer
Bank of Madras
Madras

The agreement under which the
Mysore Govt account is kept with your
Bank will expire on the 30th of next mon
You will have observed from the balan
maintained at the Credit of the accou
during the last busy season that they
have improved considerably as compa
with those of the previous years. The
modification of the agreement made
in august 1902 was on the ground
that while the Bank had to pay
interest on the account during the
slack season, practically no
balance was maintained to the
Credit of the account during the
busy months. The circumsta

have greatly altered for the better and the balances showed as anticipated a perceptible improvement even in the busy season of 1903. In view of the better balances now maintained to the credit of the account ~~and the fact that your Bank~~, I hope your Directors will agree to revert from October next to the terms of the agreement entered into in January 1899. I request an early disposal of the matter

Diary No: 1629

Bank of Madras.

Madras 12th October

Sir P.N.Krishna Murti, K.C.I.E.

Dewan of Mysore,

Purnaprasada,

B A N G A L O R E .

Sir,

I have the honour to acknowledge receipt of your letter dated 24th August last on the subject of the agreement under which the Mysore Government account is kept with the Bank, in which you express the hope that in view of the better balances now maintained at credit of this account, as compared with previous years, my Directors will agree to revert to the terms of the agreement entered into in January 1897.

In reply I am to say that my Directors went very fully into this question in 1902, and they have again given the matter their most careful consideration from every point of view.

My Directors regret however that, with every wish to meet your Government as far as possible, they cannot see their way to offer more favourable terms than those embodied in the agreement which has just expired.

I have the honour to be,

Sir,

Your obedient servant,

J. Kerr Grant

3

Fin 154-04

From

Secy. to the Govt. of His Highness the Maharaja of Mysore, Genl. and Rev. Depts.

To The Comptroller to the Govt of H.H. the Maharaja of Mysore

Dated 11th November 1904.

Despatched

Received

General No. H 2654

No. Gl. Fin 154-04

ENCLOSURE No. 1

In forwarding herewith a Copy of letter No G.P.L. 123/3 dated the 12th October 1904 from the Acting Secretary and Treasurer, Bank of Madras stating that the Directors of the Bank regret they cannot see their way to offer more favourable terms than those embodied in the agreement which expired on 30th September 1904

request that the Contract as last in force may be extended into for another year and the fact intimated for the information of Government.

I have the

Mysore Government,

Bangalore, Dated December

Henry Eagles, Esq.,

Comptroller of Mysore,

B a n g a l o r e.

B. K. Venkatavarada Iyengar, Esq.,

Secretary to the Government of Mysore,

General and Revenue Departments.

Sir,

With reference to your letter No.Fl:2654/Gl:Fin:154- 11th November 1904 I have the honor to enclose for the i tion of Government copy of letter No.G.P.L.1231 dated 23 vember 1904 received from the Acting Secretary and Treas Bank of Madras, Madras confirming the renewal of the con for another year from 1st October 1904 to 1st October 19

I have the honor to be,

Sir,

Your most obedient servant,

H Eagles

Comptroller.

Bank of Madras
Madras 23rd Nov. 190.

Henry Eagles Esq.
Comptroller of Mysore
Bangalore

Sir,

Mysore Government Account.

I have the honor to acknowledge receipt of your letter No. 2871/530 dated 22nd Instant with its Enclosure intimating that the Government of H.H. the Maha Rajah of Mysore are prepared to renew the agreement for Keeping their account for one year from the first of October last on the same terms as those embodied in the agreement which expired on that date, viz:—

1. Interest to be allowed on the minimum monthly balance during the currency of each year—January to June—inclusive according to the following sliding scale

Bank's Minimum rate benef.		Interest to be allowed
4% and under	——	at 2%
5%	——	3%
6%	——	4%
7%	——	5%
8% and upwards	——	6%

2. During the months of January and March interest will be allowed only on the balance in excess of the sum which has to be paid about

the end of these months to the British Government on account of the said Subsidy. This balance to be subject to modification if at any time the dates for payment of the said Subsidy are altered.

3. For the purpose of calculating interest notice of issue of cheques on the account to be considered equivalent to actual withdrawal of the cash.

4. No minimum balance is guaranteed by the Japan Government during the busy season, but endeavours will be made to maintain as far as possible a fair average balance.

5. The above terms will come into operation as from the 1st October 1904 and will remain in force until 1st October 1905, which I beg to confirm.

Yours truly
(Signed) Illegible
Ag. Secy. & Treasurer

"Copy"
W. Eagles
Comptroller
of Imports

Fair Draft File No. 154

Serial No 5

Diary No. of letter replied to 2290.

No. H 1103

General and Rev. Secretariat
(Gen: Fin:)
, the 12 August 1905.

Date of issue do

Signed by W Sahyaraj Chetty

To

The Comptroller.

Sir,

Adverting to the correspondence ending with your letter No: 3162/587 dated the 5th Dec: 1904, on the subject of the Agreement under which the Govt: account is kept with the Bank of Madras, Madras, I am directed to bring to your notice that the period of the Agreement therein referred to will expire by the end of September 1905 and to request you to be so good as to submit a report for the consideration of Govt: and favour Govt: with your views as to whether the Agreement may be renewed on the existing terms or the

"ank should be addressed for more
favorable terms being offered.

Chas. E. 11. 8 1905

Secretary.

21
10 8 05

Govt Jan

D. 862

No 1008
MR 15-7

Budget & Resource ..... DEPARTMENT.

SL: 6.

OFFICE OF THE COMPTROLLER, MYSORE GOVT.
Bangalore, 23rd August 1905.

From Rai B. G. Rama Rahasur M.A
~~E. R. SUBRAYER, Esq.~~
Comptroller, Mysore Govt.

To B. K. Venkatavaradaya Iyengar Esq.
Secretary to the Govt. of Mysore,
General & Revenue Dept.

11 num 24-8-05

Sir,

In reply to your letter No. 3L 1103 / GL 3L 152-05-5 of the 12th instant asking me to submit for the consideration of Govt a report as to whether the agreement with the Bank of Madras under which the Govt account is kept with the Bank may be renewed, I have the honour to recommend that it may be renewed on the existing terms for another year commencing with the 1st of October next.

2. In regard to the practice of depositing all Govt of India Securities in the Bank for safe custody, I may have to suggest some alterations in the detail, but as this does not form part of the agreement which requires renewal, I shall submit the report later on after a careful study of the question.

I have the honour to be,
Sir,
Your most obedient Servant

B Rama
Comptroller.

Budget & Revenue ..... DEPARTMENT

1905.

From

Rai A. G. Rama Bahadur Avl.,
Comptroller, Mysore Govt.

To B. K. Venkatarama Aiyangar Esq.,
Secretary to the Govt. of Mysore,
General Revenue Dept.

Dated 23d
Despatched } August
Received

No. 1008
B&R No. 157

SUBJECT MATTER.

In reply to his letter No. K.1103 of 12th Inst., recommends the renewal of the agreement with the Bank of Mysore under which the Govt. account is kept for and their Bangalore Branch commencing with the 1st Oct. next.

File No. 154

Serial No 7

Diary No. of letter replied to 862

No. F. 1820

General and Rev. Secretariat

(Genl. Fin)

, *the* 11 Sept 1905

Date of issue — do —

Signed by Mr Salzmann (Secy)

To

The Comptroller

& Chief Govt. Pleader, Madras

Sir

With reference to your letter No. 1008 B & R 157 of the 23d August 1905 recommending that the Agreement with the Bank of Madras, under which the Govt. Account is kept with the Bank may be renewed on the existing terms for another year dating from commencing with the 1st of October 1905, I —

am directed to ~~inform you~~ request, that the
Contracts, as ~~best~~ now in force, may be
Extended into for another year and
the Post initiated for ~~the~~ the information
~~of the~~
of Post

I have the
31.8.1905
Secretary

30.8.05

31.8.05

(8)

Gl Fin File 154-04

No. 1469

B & R.240-8

Office of the Comptroller, Mysore Government,

Dated Bangalore, the 14th September 1905.

From

Rai. N.G. Basu Bahadur, M.A.,

Comptroller, Mysore Government.

To

The Secretary and Treasurer,

Bank of Madras, Madras.

Sir,

The Government of His Highness the Maharaja of Mysore having desired that the agreement under which the Government account is kept with your Bank may be renewed on the existing terms for another year commencing with the 1st of October 1905, I have the honour to request that you will be so good as to arrange for the needful being done, and favour me with a reply at an early date.

I have &ca.

Sd/ N.G. Basu,

Comptroller.

Copy forwarded to the Secretary to the Government of Mysore, General & Revenue Deptts., for information with reference to his letter No. Fl.1820/Gl.Fin.154-04-7 dated 11th September 1905.

T.G.S. 16-9-05

N.G. Basu

Comptroller.

Secretary.

With reference to Govt orders t
ue No Fl 1820 (Sl Fl 154-04-7) of the 11th
eptember 1905 — I submit for in
rmation and orders of Government
letter in original from the Bank
Madras No. Gen. Dept 125/6 of the 3rd
ctober in which the Bank propo
renew the existing agreement
ith certain modifications. The im
rtant modification proposed is that
he rate of interest to be allowed
r the three months from April to
une should be the fixed rate of tw
ercent instead of, as at present, a
arying rate of 2 per cent below the
ank quotations.

I also submit for perusal a li
Mr Gopala Ingar on the subject of
te gradual reduction in the encas
the Bank in the matter of the issue of
e Mysore balances.

The loss of income to Govt due to
ese yearly reductions is no doubt
ry serious but the question to be fac
Can We get better terms another

Serial No.

I do not think any other Presidency Bank can be persuaded to give interest on current deposits.

A first class Exchange Bank in gives 2 per cent on current accounts but that is only up to the deposit of a lakh only and it is not possi that We can get interest on current accounts on anything like 20 or 30 lakhs.

It is possible for us to put down money in fixed deposits between April and January but it is out of the question to make the fixed de posits with Exchange Banks. However Sound and safe the position of an Exchange Bank maybe, it is not possi for me to advise the Govt of Mysor to put any gilt money in the Exchange Banks or in any other Bank except the three Presidency Banks in India and, if possible, in the Bank of Engla

At the same time, I must con fess, it is a very poor return for al the large amount ~~lakhs~~ Govt of the Mysor State (nearly 25 crores), that ~~we to 30~~ lakhs on an average throughout the year

bfet ang ~~Rs~~ 25.000, ~~subsidised~~ or thereabout
~~year as ang~~ one-half per cent for the
year agnst more than 3 per cent
paid on our Savings Bank deposit

This matter engaged my attention
some after I joined the Mysore Servic
and after careful consideration of th
subject — I am ~~of~~ of opinion that
one or several of the following metho
might be adopted :

(1) If possible, fixed deposits ma
be made with Presidency Banks in Ind
for a ~~one~~ period varying from 6 to 9
months between April & ~~January~~ 2nd Aug, So a
that the amounts with interest might
fall due on 31st January & be avail-
able for payment of the subsidy

(2) All available loans might be
vested in Govt paper between April &
Aug and the ~~buy~~ paper might agai
be sold before January & the cash fr
the subsidy.

(3) Contts & Co's balances, might if possib
be deposited in the Bank of England
at interest between ~~Jan~~ April & Decem
& the amount withdrawn sometime
in January & be remitted to India &

Paper, the most important diffi
is the possible difference in price
between the time of purchase in
April & June and the time of Sal
in January. We are likely to get i
the shape of interest about 2 per c
on the investment up to the time
Sale and the question is whether t
loss in price will be so great as
make it unsafe to invest at all. I
is rather a matter of Speculation.

If purchases are made it will
better to make them through the Bank
Bengal because the Madras Bank
seems to raise the rate against
in the limited market of Madr

With as regards the deposits in th
Bank of England, I know that the
Govt of India gets interest on their
deposits in the Bank of England a
I propose to ask Coutts & Co. in the
name of the Mysore State whether i
will be possible to deposit its fund
balances at interest and if so, th
exact nature of the terms that m
[illegible]

Serial No.

difficulty about the rate of exchange for the rate maybe higher in January than in other months which means some loss in remittance.

It will be seen from the above explanation that the question of the investment of the Mysore balances on the most advantageous way is not free from difficulty and there is always some element of speculation in any ~~drawable~~ profitable arrangement that maybe proposed. The subject will engage my most anxious consideration and I hope to do something to the advantage of Mysore before the next April or May.

Meanwhile the question remains whether We should quietly accept the Bank's terms or ask for a reconsideration. I doubt whether they will reconsider the matter and as We cannot do without the Bank of Madras in the matter of our remittance business it is not politic to bring things to a crisis.

I therefore submit for approval a draft reply to the Bank ~~dispatch~~

asking the Directors for a reconsideration of their decision.

Secy Board
23.10.05

Submitted to the Diwan Saheb
&
26.10.1905

Secy
Board

328
7.10.05 Medical Officer approved and represent. In the meantime other engagements offered which the Committee may please be kindly made.

27.X.05

Forwarded to the Comptroller for further action & return to this file

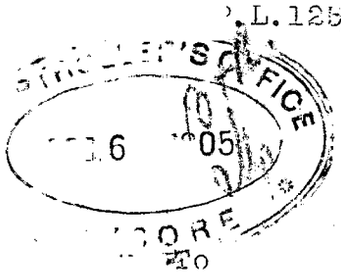
Ref 187

653

Bank of Madras,

Madras 5 Dec 1905

D.L.125/



To

Rai N.G.Basu Behadur, M.A.

Comptroller, Mysore Government,

B A N G A L O R E.

Submitted for
Orders with file

MRS
7/12/05.

Sir,

I have the honour to acknowledge receipt of your letter No.2407 dated 6th ult: on the subject of certain proposed alterations in the terms of the agreement for keeping the account of the Government of Mysore with this Bank, in which you request that the Bank will reconsider their proposal to further reduce the rate of interest allowed.

Your letter has received the careful consideration of my Directors, and in reply I am desired to say that while they are anxious to meet your Government as far as possible, the interests of the Bank, as you will readily understand, have also to be taken into account.

My Directors are aware that the fact that the Mysore balances are highest from April to June when business is slack is owing to the withdrawal by the Government of India in January and March of the amount of the annual subsidy of thirty-five lacs, and is therefore entirely beyond the control of your Government, but they are unable to follow the concluding remarks in para 4 of your letter, which would appear to imply that the cost of providing funds for the general

trade of this country should to a certain extent be borne by the Bank of Madras.

If we consider the trade of India as a whole it would probably be not unfair to take six months of the year on an average as comprising the busy season, but in this instance we are concerned with the field of investment which is open to this Bank, i.e. the Madras Presidency, where the demand for money usually arises about the end of December and practically ceases by April. It would scarcely therefore be fair from the Bank's point of view to treat the busy season on this side as lasting for six months for purposes of allowing interest on deposits.

In times of extreme pressure as much as one per cent below Bank Rate is sometimes given for very short loans in Calcutta, but it must be borne in mind in that case that the amount and the time for which it is required is at the option of the borrowers, whereas there is no limit at present to the amount which your Government may deposit with the Bank.

My Directors are however prepared to modify their proposals to the extent of allowing interest on the balances at credit of your Government during the months of April, May and June at the rate of two and a half per cent, but they much regret they cannot see their way to make further concession.

I have the honour to be,

Sir,

Your obedient servant,

Secretary & Treasurer.

Note – Submitted to the Comptroller.

Under the terms of the agreement of 1887, the Bank used to allow the interest of 2 per cent per annum on all balances not falling below Rs. 50,000/-.

In 1891, a fresh agreement was entered into. It was from 1st July to 31st December, the rate of interest payable by the Bank was 2 per cent and from 1st January to 30th June the minimum interest being 2 per cent, the rate varying as follows, with the Bank's published minimum rate charged for loans against Government papers:

Bank's charge.	Interest allowed
4 % and under	2 1/2 %.
5 %.	3 1/2 %.
6 %.	5 %.
7 % and upwards.	6 %. "

When the agreement was renewed in 1894, no change was made in the rate of interest decided upon in 1891.

In 1897, the terms of agreement underwent several changes. They are:–

(1) Interest from January to 31st May:–

Bank's minimum rate.	Interest.
4 % and under	2 %.
5 %.	3 %.
6 %.	4 %.
7 %.	5 %.
8 % and upwards.	6 %.

the above rates on the balance in excess of the sum to be paid about the end of those months to the British Government on account of subsidy.

(3) June to December, Interest at 2% on the daily balance not exceeding 20 lacs. Any balance in excess of 20 lacs not to bear interest.

Under the agreement of 1902, the rates of interest were allowed to remain unchanged and fresh conditions were imposed:—

Interest to be allowed on the minimum monthly balance during January to June and notice of the issue of cheque to be considered equivalent to actual withdrawal of cash.

From the above, it will be seen that at each renewal of agreement, the Bank sought for and Govt. acceded to the Concessions — all in favour of the former. The Concessions may be summarised as follows:—

(1) Foregoing interest all round the year on all balances — falling below Rs. 50,000/-

(2) Foregoing interest for the second half year on all balances.

(3) Foregoing interest for the first half year on balances beyond 20 lacs and foregoing interest for the 2nd half year.

(4) Reduction in the rate of interest; and date of issue of cheque to be considered equivalent to withdrawal of

And now with reference to the
newal of the agreement from 1st Oct
5 to 1st October 1906, the Bank propo
alteration in the terms of 1902; that
allow interest at 2 per Cent per annu
the monthly minimum balance f
ril to June. These are the months w
revenue collections and receipts will
full swing and the Bank balances
credit will be well high up. We a
it were, on trial during the months
mary to end of March in our anxi
pay up the Subsidy; and our balan
be at the lowest ebb.

The proposal of the Bank mean
oss of Rs. 16,000/- per quarter on an aver
Bank does not allow any interest fr
y to December, and our deposits durin
t period amount to more than 30 la
months. The Bank realizes interest
: Notes 8 per Cent and upwards o
unt of other transactions.

The closing of the Mints and
ro-duction of a gold standard ma
rectly interfere a little with the Bank
erests, but not to the extent apprehend
the Bank. The Banking system is mo
ely connected with Commerce. Trade
in agricultural pursuits of the people
main stay of the Banks, and Myso
not wanting in these pursuits. The ra
interest on loans and of discount
influenced by the demand for mon
ased by the amount of pro-duction

that is ventilated in the Public Press since commencement from time to time, I have reason to believe that it is too premature at present to entertain any such fears as those which the Bank gives expression to.

If, however, it is inevitable to accept the fresh proposal of the Bank and the Bank authorities cannot be persuaded to adhere to the existing terms, I think that in fairness, the loss which the Government would suffer should be made good by its Bank's) allowing interest at least one per Cent per annum on the monthly minimum deposits during July to December — which period for us is a slack season. For the Bank it is, I am told, the busiest season.

As already pointed out, the loss from April to June will be about Rs: 16,000; and the gain by my proposal, from July to December is estimated to be Rs: 15,000 on 30 Lacs. In my Common sense view of financial matters, it will then be a fair adjustment and compromise of affairs. Now it is all one-sided and in favour of the Bank. A statement of interest realized in different years Commencing from 1937. is put up.

Should the Bank not Consider the above proposal favorably, I beg to suggest the following last desirable alternative for the Consideration of and that is, to ask the Bank to treat a portion of our Balance from

July to December (say Rs: 15,00,000) as fixed
Deposit for a period of 6 months at a ten
This amount will give us Rs 15,000/- at 2
Cent as other ordinary Depositors get. Th
monthly minimum balances to our credit
for these months are shown in the margin

The average rate of interest per
Quarter from April to June for 3 years
is given in the margin - When totalled up it
comes to an average of Rs 4-5-11 4/5 ~~annas~~ Rs 4 & 6 annas

I beg I may be pardoned for
having traversed upon several grounds
this Note, which I have done on accou
of the vital importance of the subje
Interest as a return on the outlay of
Capital, is one of the important financ
machinaries; and the weight should,
respectfully beg to submit, be equall
distributed.

The mere fact of the Bank autho
ties having raised their minimum rate
of interest against the Government Pap
up to an average of 7 per Cent from
April to June, which Contributed to the
declaration of satisfactory dividend
further favours our claim to have the
terms of the present agreement Continue
for the next year as recommended by
the Comptroller.

P.S.-

Further a Note for the Kind Consideration of the Comptroller. -

---

The Bank grudges our realizing Rs: 31.000/-, but the authorities forget what ~~we had to~~ we had to pay large amounts of interest for a period of 3 months on small loans to pay up our portions of the British Subsidy, when we were forced to borrow.

Between January and March

Amount once borrowed - Rs: 18.000/- for 3 months interest paid 35506-13-
2nd time ——— 1700000 — Do ——— 33161-10-

Statement showing the Interest paid by the year 1887 to 1905.

Year	1st half			Amount paid for the 2nd Half year			Total		
	Rs	as	p	Rs	as	p	Rs	as	p
1887	14971	10	4	8019	11	0	22711	5	4
1888	12951	14	4	13901	8	4	26153	6	8
1889	15448	11	11	12967	11	10	28416	7	9
1890	10397	7	8	15570	13	9	25968	5	5
1891	44635	4	8	19571	10	9	64206	15	5
1892	31072	7	4	40493	3	2	71565	10	6
1893	73952	1	4	32226	13	8	106178	14	8
1894	69812	7	10	33436	0	1	103248	7	11
1895	51826	5	1	39178	15	11	91005	5	0
1896	93666	8	8	38357	10	6	132024	3	2
1897	28405	2	10	14890	1	4	43295	4	2
1898	25897	15	9	19306	14	2	45204	13	11
1899	14902	7	1	12240	4	6	27142	11	7
1900	20963	0	9	No agreement			20963	0	9
1901	No agreement			— do —					
1902	— do —			— do —					
1903	40102	1	6	—			40102	1	6
1904	63981	6	8	—			63981	6	8
1905	25318	13	9	—			25318	13	9

2407

Office of the Comptroller, Mysore Government,

Dated Bangalore, the 6th November 1905.

From

Rai.N.G. Basu Bahadur, M.A.,

Comptroller, Mysore Government.

To

The Secretary and Treasurer,

Bank of Madras, Madras.

Sir,

I have the honour to acknowledge the receipt of your lett No. G.P.L.125/6 dated the 3rd October 1905 proposing certain altera tions in the terms of the agreement for keeping the account of the Mysore Government with the Bank of Madras.

2. You propose that the interest on the Mysore Government balances from April to June should be a fixed rate of 2 per cent in- stead of the hitherto varying rate of two per cent below the Bank's minimum for the time being.

3. I venture to bring to your notice that under the arrange- ments in force during the twelve months ended 30th September 1905, the Government of Mysore has been able to get a little over 25,000 only as interest on an average monthly balance, lodged with your Ba of over 25,00,000/- or only about one per cent for the year. This you will probably admit, is a poor return for their money held at t disposal of trade and the further reduction now proposed is natural felt as a great hardship.

4. You draw my attention to the point that the Mysore balan are largest from April to June when the business is slack. This is but the matter is entirely beyond the control of the State. You ar no doubt aware that the Government of India withdraw the amount of

the annual Subsidy of 35 lakhs in January and March as soon as the Revenue collections begin to come in, and though directly the Madr Bank is deprived of the use of the money it is placed by the Gover ment of India at the disposal of the general Trade through Council bills.

5. You will probably admit that although particular months the year may fairly be characterised as slack, it is not unfair, i the varying conditions of Indian trade, to take six months of the year on an average, as comprising the busy season; and if this is done, it will not be unfair to grant the Mysore State the busy sea rate for six months in all – be the busy season from November to A December to May or January to June.

6. I may be permitted to add that the rate for the busy sea of two percent below the Bank's minimum, is alredy somewhat hard on th Native State. You are aware that in times of pressure, the Governm of India would never make any ~~loans~~ loans. to the Presidency Banks except their own published minimum, and, as far as I am aware, the rate of one per cent below the Bank's minimum would be a very acceptable co dition of short deposits in Calcutta in the busy season.

7. In view of all the circumstances of the case, I am direct by the Government of His Highness the Maharaja of Mysore to request that your Directors may kindly reconsider the case, and may not be inclined to drive the bargain too hard by proposing a further reduc tion in the already low rate of interest allowed by the last agree- ment.

8. It is not necessary for the present purpose, to enter int the rather controversial question of the results of the Mint Legis- lation of 1893, upon the facilities for financing the internal trad of the country with which the Presidency Banks are mainly concerned.

But it may not be out of place to point out that as far as can be judged by the half yearly dividends and the additions to Reserve secured by the three Presidency Banks, the results compare very favourably with past years.

I have the honour to be,

Sir,

Your most obedient servant,

Sd/ N.G. Basu,

Comptroller.

Copy forwarded to the Secretary to the Government of His Highness the Maharaja of Mysore, General and Revenue Departments for information.

N.G. Basu

Comptroller.

File No./5

Serial No 6

Diary No. of letter replied to 2489

No. F. 4106

General and Rev. Secretariat.
(Ge : Fri)
, *the* 28-12-~~190~~5.

Date of issue do

Signed by M Sabyaraj Chetty

To

The Comptroller to the Govt of H. H. t
Maharaja of Mys

Sir,

I am directed to ac
that your proposal to reply u
the Bank ~~of Madras~~ in the
manner indicated by you in
the last para of your ~~unoffi~~
note of the 7th instant is appro

I have &c

Sd/-
21.12.05
Secretary

U
20/12/05

over.

~~in reference to their~~ letter No. G.F.d. 125 dated the 5th December 05 ~~on the subject of the~~ regarding terms ~~of the Agreement~~ for keeping the account of the Govt. ~~with the Bank~~

SUBJECT.

MS

(11)
Gl Finance 154-04

Office of the Comptroller, Mysore Government.

Dated Bangalore, the 16th. January 1906.

From

Rai. N.G. Basu Bahadur, M.A.,

Comptroller, Mysore Government.

To

The Secretary and Treasurer,

Bank of Madras, Madras.

Sir

I have the honour to acknowledge the receipt of your letter G.A.L.125/8 dated the 5th December 1905 on the subject of the propo alterations in the terms of the agreement for keeping the account o Government of Mysore with your bank.

Your letter was duly placed before the Government of His Hi ness the Maharaja. The Government regret that the Dirctors of the B do not see their way to continue the terms of the agreement last ex but I am instructed to say that they have no wish at present to pre for better terms than have already been offered.

I have the honour to be,

Sir,

Your most obedient servant,

Sd/ N.G. Basu ,

Comptroller.

Copy forwarded to the Secretary to the Government of Mysore, General and Revenue Departments for information.

Comptroller.

12 D.3092

No. 4013 F1 Gl Fin 154 05
BR 67)

OFFICE OF THE COMPTROLLER, MYSORE GOVERNMENT

Dated Bangalore, the 19 January 1906.

22

FROM

RAI N. G. BASU BAHADUR, M.A.,
COMPTROLLER, MYSORE GOVERNMENT.

To

B.K. Venkatavarada Iyengar, Esq.,
SECRETARY TO THE GOVERNMENT OF MYSORE,
General and Revenue DEPARTMENT.S.

11 June 22-1-06

SIR,

In continuation of my letter No. 3865/B & R.650 dated 16th January 1906, I have the honour to forward for the information of Government copy of letter No. C.P.L.126/2 dated 18th January 1906 received from the Secretary and Treasurer, Bank of Madras, Madras, conf-ming the arrangement approved of in your letter No. F1.4106-G1.Fin. 154-04-10 dated 28th December 1905.

I have the honour to be,

Sir,

Your most obedient servant,

Comptroller.

Budget & Reserve Department

1906.

From

Rai N. G. Basu Bahadur, M.A.,
Comptroller, Mysore Govt.

To

B. K. Venkatarama Iyengar Esq.,

Secretary to the Govt. of Mysore,
General & Revenue Dept.

Dated 19 January

Despatched

Received

No. 4013

B&R 677

Enclosure one.

Subject Matter.

Forwarding for information a copy of letter No. G.P.L. 126-2 dated 18/1/ received from the Secy to Govt of Madras, Marine Dept inviting the arrangement appended to his letter No. M. 4166 - G.L.H. 154 - dated 28th Dec. 05.

No G. P. L. 126/2.

Bank of Madras,

Madras 18th January 0[illegible]

To.

Rai. N. G. Basu Bahadur M. A.,

Comptroller, Mysore Government,

Bangalore.

Sir,

I have the honor to acknowledge receipt your letter no: 3864/B & R 649-50, dated the 1[illegible] instant & from which I gather that your Gov[illegible]ment is prepared to renew the agreement f[illegible] keeping their Account with this Bank as fr[illegible] the 1st October 1908 for one year on the terms o[illegible] fixed in my letter no: G. P. L. 125/6 dated 3rd October last with the modification named in m[illegible] letter no: G. P. L. 125/8 dated 5th December las[illegible] Viz: interest to be allowed on the balances credit of your Government during the months April, May, and June at the rate of 2½ p[illegible] cent per annum, which I beg to confirm.

I have etc.

(Sd) J. Kerr Finlay

"Copy"

Dr. Nicholson
Superintendent
Record Department